DOCUMENT RESUME

ED 365 239 HE 027 031

TITLE Tuition and Fee Policies. Briefing Paper.
INSTITUTION Washington State Higher Education Coordinating Board, Olympia.
PUB DATE Dec 92
NOTE 16p.; For related documents, see HE 027 027-033.
PUB TYPE Reports - Descriptive (141)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Budgeting; Community Colleges; Comparative Analysis; Computation; *Educational Finance; *Fees; Graduate Study; Higher Education; *Policy Formation; Public Colleges; Research Universities; State Action; State Aid; State Universities; Student Costs; *Tuition; Undergraduate Study
IDENTIFIERS *Washington

ABSTRACT

This briefing paper examines Washington State's higher education tuition and fee policies for its public institutions. It discusses the state's current structure for determining tuition and fees; and compares tuition and fees to economic indicators, including state appropriations and other states' policies. The paper also briefly highlights the Washington State Legislature's directives and the Washington State Higher Education Coordinating Board's recommendations and studies concerning tuition and fee policy issues since 1986. Among the current issues that remain unresolved are the following: (1) the appropriate cost sharing relationship between students and the state; (2) the concept of establishing the building fee as a percentage of general tuition and fees; (3) the concept of providing institutional flexibility to impose tuition and fee rates higher than statutory rates for nonresident undergraduate students and resident and nonresident graduate and professional students; (4) the concept of tuition and fee revenues remaining in a local institutional fund; (5) the concept of a general surcharge during the 1993-95 biennium to generate revenue during a state fiscal emergency; (6) the relationship between tuition and fee policy and student financial aid; and (7) the relationship of tuition and fee policy and the current structure of tuition, fee waivers, and residency statutes. The appendix provides peer comparisons of tuition for each student level and status at each institution and the community college system. (GLR)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

Steven T. Seward
Chair
Seattle

Ralph DiSibio
Richland

Kelso Gillenwater
Tacoma

M. Lyle Jacobsen
Olympia

Mary James
Wapato

Vicki McNeill
Spokane

Gay Selby
Kelso

David K.Y. Tang
Seattle

Judith Wiseman
Bellingham

Ann Daley
Executive Director

ED 365 239

TUITION AND FEE POLICIES

• *Briefing Paper* •

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
Washington State
Higher Education
Coordinating Board
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☒ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

DECEMBER 1992

HECB

HE 027 031

BEST COPY AVAILABLE

Introduction

The Higher Education Coordinating Board has two statutory responsibilities in the determination of tuition and fee levels. The Board first establishes the cost basis upon which tuition and fees are based. This is done by recommending the definitions, criteria, and procedures for determining educational costs to legislative committees on higher education for their action prior to December of every fourth year. The Board then determines (by November 10 of each even-numbered year) the "approved educational costs" which serve as the basis for tuition amounts for the ensuing biennium.

Tuition and fees at Washington public colleges and universities consist of three components - operating fee, building fee and services and activities fee. The operating fee is remitted to the State Treasury to be held in a dedicated account for each institution. The building fee is held in a local dedicated account to be used for capital improvements including debt service. The services and activities fee is also held in a local dedicated account for student related expenditures.

In 1977 the Washington Legislature created an automatic system for setting tuition and fee rates by linking them to fixed percentages of calculated educational cost. In 1981 the Legislature increased those percentages of costs to be paid by students. Those percentages continue in current law, with the exception of a "housekeeping" change to remove a decimal percentage at research universities in 1992.

Current structure in Washington

Tuition and fees are established as a percent of the cost of education. The rate pertains to the combined operating and building fees, but does not include the services and activities fee. The building fee is currently in statute as a fixed dollar amount and has not changed since 1981. Thus, under current law, increases in tuition accrue to the operating fee. Current law provides that the services and activities fee may be increased by the same percentage increase imposed on resident tuition rates.

The 1990 Education Cost Study was used to determine costs on which the 1993-95 tuition and fee rates are based. The educational cost base used for determining tuition and fee rates includes 100 percent of the budgeted state General Fund, general local

fund, and operating fee account expenditures for academic instruction. For community colleges, 100 percent of the total of those fund sources for academic and vocational instruction is used. In addition to instruction costs, the educational cost base includes appropriate amounts allocated from support programs (Primary Support, Libraries, Student Services, Institutional Support and Plant Operations and Maintenance); again using only budgeted state General Fund, general local funds, and operating fee account expenditures.

Based on the 1990 Education Cost Study, the appropriate amounts from the support programs applicable to instruction, and the instruction costs establish the educational cost per full-time equivalent (FTE) student. The relationship of graduate to undergraduate cost is also based on the 1990 Education Cost Study. The relationship is then applied to the total educational cost per FTE student to establish separate undergraduate and graduate costs per FTE student upon which tuition and fee rates are based.

Current law requires annual adjustments in tuition and fee levels, with a two-year "lag" in making such adjustments. The process is as follows:

- 1991-92 year budgeted expenditures and enrollments are used to calculate 1993-94 tuition and fee rates; and,

- 1992-93 year budgeted expenditures and enrollments are used to calculate 1994-95 tuition and fee rates.

Because of this process, rate increases lag expenditure increases by two years. This annual adjustment approach results in second year tuition increases only to the extent there are changes in expenditures and/or budgeted enrollments for the second year of the current biennium (1991-93).

In calculating tuition and fee rates, all applicable costs and enrollments for Washington State University and the University of Washington are combined to reflect the average of both. Rates for the comprehensive universities and The Evergreen State College are based on the combined costs and enrollments of the three comprehensive universities, and community college rates are calculated as a system.

The technical colleges are not included in the cost base, nor are the calculated tuition and fee rates applicable to those institutions. Tuition rates at those institutions are established by the institutions under separate statutory provisions. The State Board for Community and Technical Colleges is currently reviewing the existing tuition and fee structure of the technical colleges.

Tuition and fee rate increases are a function of (1) increased General Fund and operating fee account appropriations and (2) changes in enrollments. The current tuition and fee structure of community colleges and four-year institutions is based on varying percentages of cost, established in statute, as follows:

PERCENT OF COST

	Resident	Nonresident
RESEARCH UNIVERSITIES		
Undergraduate	33	100
Graduate	23	60
MD/DDS/DVM*	167	167
REGIONAL INSTITUTIONS		
Undergraduate	25	100
Graduate	23	75
COMMUNITY COLLEGES	23	100

* Medicine, Dentistry, Veterinary Medicine, calculated as a percent of graduate rates.

Other related statutory provisions are: a "pro rata" charge for part-time students (generally those enrolled for under 10 credit hours); a minimum charge of two credit hours for students enrolled for one or two credit hours; and an operating fee surcharge for students enrolled for over 18 credit hours (except for those enrolled in vocational preparatory or first-professional programs).

Tuition and fees compared to economic indicators

For the past eight years, cost-based tuition and fees have been adjusted annually, rather than biennially. Rates continue to increase at a rate faster than either the Implicit Price Deflator (IPD) or the Higher Education Price Index (HEPI). The IPD is used by the

Office of Financial Management in the development of agency budgets and is commonly used as a measure of consumer price inflation. HEPI is recognized as an indicator of higher education cost increases. As shown on the table below, the total increase over the period indicated for resident undergraduate tuition and fees in Washington have surpassed these indicators in each sector of public higher education. The primary reason is Washington efforts to increase quality by providing additional funding to enhance instruction.

PERCENTAGE INCREASE IN WASHINGTON TUITION AND FEES
COMPARED TO IPD AND HEPI

			RESIDENT UNDERGRADUATE		
FISCAL YEAR	IPD	HEPI	RES	COMP	CC
1988	4.3	4.6	7.9	5.0	8.6
1989	4.7	5.8	3.8	3.5	2.8
1990	4.5	5.8	1.7	15.3	5.4
1991	5.2	5.3	6.9	6.1	5.5
1992	3.1	3.1	11.5	5.4	9.0
1993	3.2*	3.2*	3.4	5.1	5.7
1994	3.4*	3.4*	3.2	1.2	3.3
1995	3.5*	3.5*	2.6	2.5	2.9
TOTAL	31.9	34.7	41.0	44.1	43.2

*Projected

Tuition and fees compared to state appropriations

Tuition and fees are directly related to the cost of education and to changes in appropriation levels. For example, at the research universities a 3.7 percent increase in appropriations from fiscal 1991 to fiscal 1992, coupled with a .5 percent increase in enrollments resulted in a net 3.2 percent increase in the 1993-94 tuition and fee rates. The existence of a two year lag in the calculation of cost reduces the actual relationship below the statutorily established levels. Thus the relationship of student operating fee revenue to state appropriations is nearly a constant 20/80 percent relationship.

Tuition and fee policies in other states

The most recent national survey of tuition and fee policies was conducted by the State Higher Education Executive Officers (SHEEO) in 1988. That study is being updated with results anticipated in spring of 1993. The 1988 study reported five different approaches for establishing tuition and fee rates:

- *Rates as a percentage of educational cost.* Educational costs can include different definitions and different cost components. Comparability among states is questionable even though stated percentages may appear similar. (four states including Washington)

- *Relative to competitive forces and what the market will bear.* Rates may include focus on peer institutions or on changes in the CPI, HEPI or personal income. (11 states)

- *As the difference between institutional needs and state appropriations after level of state support is established.* In some states rates may be established based on institutional need with little or no explicit consideration of state support. (24 states)

- *Expected revenue as a percentage of general state appropriations.* States may establish revenue levels and require institutions to respond by adjusting rates to achieve that level. (eight states)

- *Rates set by legislature or coordinating board (four states).*

In the same study, four approaches to revenue control were reported:

- Revenue is controlled and retained by institutional and system governing boards. Estimates of revenue are used by the state budget office and/or the coordinating board to develop budget requests and recommendations. (29 states)

- Revenue is controlled and retained by institutions, but estimates are not considered in developing budget requests. (six states)

- Revenue is deposited in state treasury in institution account and appropriated back in addition to tax appropriation. (12 states including Washington)

- Revenue is deposited in state treasury as general revenue and their return to higher education is only inferred. (three states)

The 1988 study also reported three variations on assigning legal responsibility for establishing tuition and fee rates for public institutions (with 48 states reporting):

- Institution or system governing boards (41 states)

- State coordinating boards (three states)

- Legislature (four states including Washington)

More recently, Arizona, California, and Oregon have discussed possible changes to tuition policies for their public higher education systems.

Arizona tuition and fee rates are related to the cost of education, but with a single tuition rate for resident undergraduate, graduate and professional students at all four-year institutions. A higher single rate is charged nonresidents. The Arizona Board of Regents is considering changing that policy to one of separate and higher rates for graduate and professional students. The Board has been reviewing separate lower division and upper division rates but is unlikely to adopt such a policy.

Staff of the California Postsecondary Education Commission conducted a study entitled "Analyses of options and alternatives for California Higher Education." This draft report dated November 1992, addressed the following tuition related topics:

- Set student charges at a specified percentage of the cost of instruction;

- Set student charges based on the average of a group of selected comparison institutions;

- Set student charges based on student and/or family income;
- Students pay a specified percentage of their income after leaving the institutions, and no fees/charges while enrolled;
- Provide all eligible students with a voucher to be used at the regionally accredited California college or university of their choice;
- Set student charges at 100 percent of the cost of instruction;
- Set student charges based on a specified percentage of California's per capita income or average California household income;
- Set student charges for all students enrolled at the same level at the same amount regardless of which system the student is enrolled; and
- Set student charges based on a specified percentage of the average increased earnings that students who have a higher education receive over those who have not attended college.

In Oregon, a Tuition Committee was established by the Oregon State Board of Higher Education to investigate tuition alternatives. Value statements adopted by that Committee that are relevant to this discussion included:

- Tuition should be maintained at levels that optimize access for qualified Oregonians...;
- Costs of education should be recognized as shared costs, borne by all Oregonians;
- Tuition expense should bear a relationship to the cost of instruction;
- After fundamental education needs are met, the users of educational services should bear a larger portion of the cost of instruction. This will lead ... to differential tuition for professional and graduate programs;

- Academic programs that serve critical social and economic needs should have incentive options...;

- Nonresident undergraduate students should pay at least the cost of instruction, including depreciation and use of facilities;

- Efforts should be made to reduce the burdens placed on individual students by loans.

The following data, taken from the Board's annual report on Tuition and Fee Rates - A National Comparison summarizes the 1991-92 tuition and fee rates at these three states and Washington, illustrating the results of the differing state policies that exist:

COMPARISON OF TUITION AND FEE RATES FOR SELECTED STATES
1991-92

	RESIDENT		NONRESIDENT	
	Undergrad	Grad	Undergrad	Grad
ARIZONA				
Research	1,590	1,590	6,996	6,996
Comprehensive	1,590	1,590	6,619	6,619
Community Colleges	600		3,992	
CALIFORNIA				
Research	2,679	2,679	10,378	10,378
Comprehensive	1,089	1,089	8,561	8,561
Community Colleges	726		3,670	
OREGON				
Research	2,598	1,539	7,008	5,940
Comprehensive	2,457	3,361	3,356	5,345
Community Colleges	939		3,160	
WASHINGTON				
Research	2,178	3,387	6,075	8,472
Comprehensive	1,698	2,700	5,970	8,187
Community Colleges	867		3,402	

Although policy changes being considered in these states will not necessarily be adopted, they illustrate the range of issues under consideration. Two common elements of the studies -- tuition as a proportion of educational cost and recognition of tuition/cost differentials for undergraduate, graduate, and professional -- are already incorporated into Washington's tuition setting methodology.

Relationship of Washington tuition and fee rates with peer groups

Resident undergraduate tuition and fee rates lag peer group averages in the 1991-92 academic year, from a low of 9.3 percent at Washington State University to a high of 22.9 percent at The Evergreen State College. Peer comparisons of tuition for each student level and status at each institution and the community college system is shown in the appendix.

HECB recommendations for change since 1986

As a part of its general statutory provisions and/or specific legislative directives, the HECB has conducted tuition and fee policy studies to assess the current and alternative structures. The following recommendations were made by the Board in 1988, however, none were adopted by the Legislature.

- Maintain a cost based structure capped at a defined relationship to peer groups by institutional category and student level. This approach would have continued to relate tuition and fees to a cost base but would have required that rates not exceed a limit of a defined relationship to a peer group. This alternative would have assumed a relationship as the peer average but did not preclude establishing different relationships between Washington and the peer rates.

- Include The Evergreen State College in the comprehensive institutions' cost base. Current law requires averaging educational costs of Central, Eastern, and Western Washington Universities in calculating tuition and fee rates for the comprehensive institutions, even though the rates then apply to The Evergreen State College as well.

- Provide for proportional adjustments in the building fee component. A component that changes at the same percentage as general tuition and fee adjustments would have provided more funding for campus facilities.

- Modify the current threshold that distinguishes between part-time and full-time students for tuition and fee purposes from 10 to 12 credit hours for undergraduates. The effect of current policy is to charge a part-time student fifty percent more for the same number of credits as charged a full-time student taking an average of 15 credit hours per term.

- Discontinue the current surcharge for more than 18 credit hours per term. Review of 1988-89 rates indicated that 97.1 percent of the revenue from this surcharge was associated with undergraduate students, with community colleges accounting for over 55 percent of the total even though vocational preparatory programs were exempt. The policy discourages undergraduate students from completing their programs as rapidly as possible.

In 1989 the Legislature directed the Board to make recommendations to establish a modified tuition fees structure based upon educational costs and to provide recommendations on whether different levels of tuition and fees should be charged at the University of Washington and Washington State University.

In response to this directive, the 1990 study recommended that a common tuition and fee rate continue to be charged at the research universities. Separating the educational costs of the two universities and calculating individual tuition and fee rates based on each institution's costs would have significantly changed rates at both institutions. Undergraduate rates at the University of Washington would have been substantially higher than those at Washington State University, and graduate and professional rates would have been substantially lower. Separation of rates would have the greatest impact on Washington State University where those rates currently below the peer averages would be further reduced, and those currently higher would be significantly increased. Branch campus tuition rates also were considered. It was too early to project what impact a structure of individual rates would have had on branch campus enrollments during initial and planned expansion periods of the branches.

Recent legislation

In 1992, legislation was enacted that shifted deposit of operating fee revenue from the state General Fund to operating fee accounts for each institution. General Fund appropriations were then reduced by the anticipated revenue from operating fees. This shift is expected to shelter the portion of institutional budgets funded from operating fee accounts from across-the-board reductions in the General Fund occasioned by periodic state revenue shortfalls.

Current tuition and fee issues

A number of tuition and fee issues remain at the forefront of policy discussions in Washington. Among them are:

- The appropriate cost sharing relationship between students and the state;
- The concept of establishing the building fee as a percentage of general tuition and fees;
- The concept of providing institutional flexibility to impose tuition and fee rates higher than statutory rates for nonresident undergraduate students and resident and nonresident graduate and professional students;
- The concept of providing institutional governing boards with authority to set all tuition rates;
- The concept of tuition and fee revenues remaining in a local institutional fund;
- The concept of a general "surcharge" during the 1993-95 biennium to generate revenue during a state fiscal emergency;
- The relationship between tuition and fee policy and student financial aid; and

- The relationship of tuition and fee policy and the current structure of tuition and fee waivers and residency statutes.

Foundations of tuition and fee policy considerations

At a minimum, tuition policy in the public sector defines the appropriate distribution of cost between those who benefit directly (students) and those who benefit indirectly (the general public). Tuition policy also enhances or preserves student choice among public institutions and impacts the mix of students at each institution. As discussed in Briefing Paper: Higher Education Finance Issues, HECB, December 1991, tuition policy should be evaluated on the basis of:

Balance -- Washington's current tuition policy creates a balanced system that defines the relationship between funding support provided by the state and that required of the student. The state's policy also balances relationships among public institutions, among levels of students (including undergraduates, graduates, and professionals), and between resident and nonresident students.

Fairness (Equity) -- The HECB consistently has advocated for sufficient state financial aid to ensure that all educationally qualified students are assured access to higher education regardless of individual economic means. Current policy recognizes the link between increased tuition rates and increased need for student financial aid.

Predictability -- The Legislature created a system for setting tuition rates which ties increases in rates to increases in the cost of education. For the past decade, the state has avoided determining rate increases solely on the basis of state revenue fluctuations. This has created a system of predictable changes, which can be maintained as long as the amount of change is tied to an objective measure (such as the cost of education or peer relationships).

APPENDIX

RELATIONSHIP OF WASHINGTON TUITION AND FEE RATES
TO PEER GROUPS
1991–92 ACADEMIC YEAR

	UW	Peer Average	UW Percent Variance	Peer 75th Percentile	UW Percent Variance
UNIVERSITY OF WASHINGTON (25 institutions)					
Resident Undergraduate	2178	2593	−16.0%	3044	−28.4%
Resident Graduate	3387	3107	9.0%	3574	−5.2%
Nonresident Undergraduate	6075	7806	−22.2%	9552	−36.4%
Nonresident Graduate	8472	7977	6.2%	9541	−11.2%

	WSU	Peer Average	WSU Percent Variance	Peer 75th Percentile	WSU Percent Variance
WASHINGTON STATE UNIVERSITY (23 institutions)					
Resident Undergraduate	2178	2402	−9.3%	2535	−14.1%
Resident Graduate	3387	2682	26.3%	3410	−0.7%
Nonresident Undergraduate	6075	6738	−9.8%	7482	−18.8%
Nonresident Graduate	8472	6484	30.7%	7447	13.8%

	CUs	Peer Average	CUs Percent Variance	Peer 75th Percentile	CUs Percent Variance
COMPREHENSIVE UNIVERSITIES (212 institutions)					
Resident Undergraduate	1698	1943	−12.6%	2403	−29.3%
Resident Graduate	2700	2091	29.1%	2716	−0.6%
Nonresident Undergraduate	5970	4841	23.3%	5835	2.3%
Nonresident Graduate	8187	4912	66.7%	6290	30.2%

	TESC	Peer Average	TESC Percent Variance	Peer 75th Percentile	TESC Percent Variance
THE EVERGREEN STATE COLLEGE (26 institutions)					
Resident Undergraduate	1698	2203	−22.9%	2411	−29.6%
Resident Graduate	2700	2471	9.3%	3306	−18.3%
Nonresident Undergraduate	5970	5541	7.7%	6024	−0.9%
Nonresident Graduate	8187	5688	43.9%	6790	20.6%

	CCs	Peer Average	CCs Percent Variance	Peer 75th Percentile	CCs Percent Variance
COMMUNITY COLLEGES (state average)					
Resident	945	1,053	−10.3%	1,335	−29.2%
Nonresident	3,717	3,088	20.4%	3,992	−6.9%

HECB 12/12/91